

P-421,430/CP-93-50 ORDER REQUIRING REVISED COST STUDIES AND PROPOSED
RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
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Commissioner

In the Matter of a Petition for Extended Area
Service From New Richland to Waseca and
Ellendale

ISSUE DATE: April 11, 1994

DOCKET NO. P-421,430/CP-93-50

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STUDIES AND PROPOSED RATES

PROCEDURAL HISTORY

On January 25, 1993, the Commission received a petition from customers in New Richland requesting extended area service (EAS) to Waseca and Ellendale. The petition sponsor specifically requested separate votes on each community.

On April 20, 1993, the Commission issued its ORDER CLOSING PORTION OF DOCKET AND REQUIRING COST STUDIES AND PROPOSED RATES. The Commission denied the New Richland to Ellendale route for lack of traffic and gave the companies serving the petitioning and petitioned exchanges 60 days, or until June 21, 1993 to file cost studies and proposed rates. The Commission required the Department, if it proposed changes in how the companies calculated their cost studies and proposed rates, to file rates that reflected those changes. Order at page 2, Ordering Paragraph 3.

On August 5, 1993, the Commission issued its ORDER GRANTING TIME EXTENSION.

On August 20, 1993, U S West Communications, Inc. (USWC) filed cost studies and proposed rates.

On August 23, 1993, United Telephone Company (United) filed its cost studies and proposed rates.

On September 24, 1993 the Minnesota Department of Public Service (the Department) filed its report and recommendation. The Department recommended that USWC be ordered to use a 10.64 percent cost of money.

On December 21, 1993 USWC filed new rates using the 10.64 percent cost of money. United did not file new cost studies or rates conforming to the USWC cost of money of 10.64 percent.

On January 26, 1994, United filed new cost studies and proposed rates.

On February 11, 1994, the Department filed a letter requesting that the Commission order the companies to refile their cost studies and proposed rates using a stimulation factor of 2. Again, the Department did not file proposed rates that reflected that change.

On April 5, 1994, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

Cost of Money

In an Order issued November 3, 1993, the Commission reviewed and approved the use of a 10.64 percent cost of money figure stipulated by USWC and the Department. In the Matter of a Petition for Extended Area Service From Cotton to Duluth, P-501, 421/CP-92-41, ORDER REQUIRING REVISED COST STUDIES AND PROPOSED RATES USING STIPULATED COST OF MONEY FIGURE (November 3, 1993). Since then, the Commission has found no reason to deviate from that precedent.

Stimulation Factor

After USWC filed its revised cost study and proposed rates, the Commission determined in several outstate EAS cases that 3 is a more appropriate stimulation factor for those outstate cases, rather than the 5 used by the companies in this matter.¹

The Commission will use a stimulation factor of 3 here for the same reasons it was adopted in those cases.

Apportionment Factor

The Commission is required to set the rates for the petitioning exchange to recover between 50 and 75 percent of the revenue requirement. Minn. Stat. § 237.161, subd. 3 (a) (1992). The Department recommended that the petitioning exchange be required to provide 75 percent of these costs.

The Commission prefers to see rates which incorporate all the changes listed herein before determining the apportionment factor.

ORDER

1. Within 30 days of this Order, USWC and United shall refile cost studies and proposed rates, reflecting the USWC cost of money of 10.64 percent and a stimulation factor of 3.

¹ In the Matter of a Petition for Extended Area Service From the Miliona Exchange to the Alexandria Exchange, Docket No. P-548, 430/CP-93-854, ORDER ADOPTING STIMULATION FACTOR AND GRANTING TIME EXTENSION (March 25, 1994). For a similar precedent, see the Commission's March 25, 1994 Order in the following joined matters: Freeport (Albany) P-500, 415/CP-93-1057; New Munich (Albany) P-500, 415/CP-93-124, Madison Lake (Mid Communications) P-416, 421/CP-93-554; Kabetogama (GTE) P-407/CP-93-256; Garrison (GTE) P-407, 421, 406/CP-92-1415; Embarrass (GTE) P-407, 421/CP-93-401; Meadowlands (GTE) P-407, 421/CP-93-594, 595, 596; Nickerson (GTE) P-407, 421/CP-93-846; Zumbrota (Zumbrota) P-577, 555, 421/CP-93-1221; and Richmond (Melrose) P-415, 421/CP-93-666.

2. In their proposed rates, the Companies shall reflect revenue requirement assignments of 50 percent, 60 percent, and 75 percent to the petitioning exchange.
3. Within 30 days of the filings made pursuant to Ordering Paragraph 1, the Department shall file its report of investigation of the company filings. If the Department recommends changes, it shall show the rates reflecting those changes, with 50 percent, 60 percent, and 75 percent of the revenue requirement assigned to the petitioning exchange.
4. Parties shall have 20 days to respond to the report of the Department.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)